

Identification of Savings Opportunities

Various opportunities were identified throughout the ABM effort. The core team's ABC model analysis began with a comparison of the distribution of resources consumed by secondary, overhead-type activities versus the amount consumed by the organization's primary, core mission type activities. To effect this approach, GT, ATI and the core team agreed to separate, in the model, those air station-wide sustaining activities from the rest of its business processes in order to highlight their cost impact. Air station processes, however, also contain secondary, administrative type activities particular to the functional area supported. Once this analysis was completed, the next step focused on attributing the model to identify areas of duplication, and a review of specific, high cost activities within the organization, selected by the Commanding Officer and BRI Coordinator.

Near Term Savings Opportunities

Sustaining Activities

As is the case with most initial models, some functional areas may not have allocated sufficient costs to their organizational sustaining activities. Others may have allocated more costs than necessary. These issues and others will require managers to review and improve their model structure and information. However, the model provides sufficient evidence to take action in the near-term to reduce resource consumption by secondary and sustaining activities. For Example, in examining contributions to sustaining activities, the core team found that 11.3 wage grade FTE, at a cost of \$544,715, were consumed in Public Works attending meetings, managing files, general administration, time and attendance reporting, ensuring safety and environmental compliance. Reducing this overhead cost burden on direct production labor not only can save money, but is critical to achieving a competitive MEO.

Across all air station functional areas, the amount of cost in each organizational sustaining area captured in the Beaufort ABC model is:

➤ Ensure Environmental Compliance	\$	3,132,375
➤ Perform Other General Administration	\$	2,524,093
➤ Perform Training	\$	2,359,652
➤ Attend Meetings	\$	1,701,285
➤ Perform Housekeeping Duties	\$	1,254,045
➤ Perform Collateral Duties	\$	1,171,513
➤ Manage Files	\$	1,089,886
➤ Evaluate Personnel	\$	1,016,105
➤ Ensure Safety	\$	979,357
➤ Manage Budget	\$	540,657
➤ Provide Database Administration	\$	364,323
➤ Perform Time and Attendance Reporting	\$	310,364
➤ Maintain Anti-Terrorism/Force Protection	\$	209,159
➤ Support Emergency Operations Center	\$	194,034
➤ Perform TAD	\$	190,041
➤ Support Voting Registration	\$	41,636
➤ Control Property	\$	6,323

It is important that the Command focus on reviewing the sustainment burden on the air station. Consolidating administrative activities within departments, as is occurring in the reporting units for example, could produce significantly more in savings opportunities. As we examined resource contributions to functional activities, we noticed that in many cases the functional personnel were devoting as little as 30% or less of their time performing their functional work. Some were spending as much as 90% of their effort performing administrative type tasks. Consolidating administration within departments would greatly reduce this administrative burden, allow people to focus their attention on their primary duties.

Experience has shown that savings of between 5-20% are achievable by using ABM tools to marginally improve activities. Organization sustaining costs should be contained to less than 10% or 15% of total obligations. At MCAS Beaufort, the above air station-wide sustaining costs consume about 21% of the resources available. When adding secondary activities performed within departments as part of functional processes, the air station is consuming approximately \$24.5 million, or 29% of total resources, in performing administrative type activities (Appendix C). Individually, most departments devote between 30% and 55% of their resources to sustaining and secondary activities. Reducing this burdensome overhead by just 5% can save almost \$1.2 million.

Food Service KPs

The core team and Supply Department personnel examined the process of providing contracted food service KPs at Mess Hall 442. This activity was chosen because of its high cost (13% of Supply Department's resources), and the appearance of significant queue time. We flow-charted the activities and tasks with the process owners (Food Service Manager and the Supply Officer) to obtain an understanding of the process and develop opportunities for improvement. In so doing, we also obtained cycle time information and used the cost and driver information from the ABC model to develop per-Marine costs.

We determined that the cost of providing food service to Marines at MCAS Beaufort is \$1,906,312 (not including cost of food). The mess hall served 258,605 meals during FY99, at about \$7.37 per meal, or an average 236 Marines served each day, at a cost of \$22.11 per Marine. We also determined that the total cost of providing KPs at the mess hall is \$756,953 (\$8.78 per Marine per day), or almost 40% of Mess Hall 442's total cost.

The mess hall is open for three meals on weekdays and two on weekends. The contract standard for service is the ability to serve five portions in one minute. Breakfast is served for two hours, and the other meals two and a half hours each. However, the peak service periods last about a half hour at breakfast and about an hour at the other meals; a total of about three and a half hours. The Food Service Officer has been active in trying to control cost. For example, he consolidates lines during weekends and reduces staffing of the service lines during slow periods. However, between two and six KP servers must be present on each of two serving lines during the entire period. Two head-count personnel, one contract and one Marine, are also present during operating hours. The limited number of Marines being served over an extended period results in contract service personnel spending significant time waiting. Further, this non-value added time carries over to other areas in the mess hall, as the cleanup, dishwashing and other maintenance activities driven by customer participation.

Given the low customer count at each meal, shortening serving hours to a total of four hours could save about \$220,485, without affecting the standard of service, as described in the current contract. Rather, the shortened hours will concentrate the work and eliminate much of the time contract employees spend waiting for customers. The air station could save an additional \$45,369 to \$136,108 by eliminating all contract servers and instituting "self-serve" lines (Appendix D). This action may result in increased portion size, thereby increasing customer satisfaction and participation. Implementation of this option will require monitoring to ensure the cost of food does not significantly increase. We researched the contract provisions pertaining to hours, and found that changes such as these are solely within the Government's discretion (see page 57, contract number MOO146-99-C-0004), and could therefore be implemented this fiscal year.

Environmental Compliance and Inspection

The Natural Resource and Environmental Affairs Office (NREAO) is required to annually inventory and report to various agencies the amount and type of hazardous materials stored at the air station. NREAO accomplishes this activity through contract support; the contract cost \$46,029 in FY99; it rose to \$54,557 in FY00. NREAO contracts this activity because there is a requirement for certification of the 312 and 313 reports by a professional engineer (PE). There is an environmental engineer working in NREAO that possesses a PE certification.

NREAO is also required to inspect, monthly, compliance with laws and regulations pertaining to the storage and use of hazardous materials throughout the air station. The activity, Perform Inspections, is performed in-house, at a cost of \$76,424, about 45% of which is administrative cost such as report preparation and review.

Analysis of these activities leads to the conclusion that the air station could save at least \$54,557 (46,028 in FY99) by terminating their contract. NREAO personnel estimate that it will take approximately 480 hours to complete the tasks required to produce the 312 and 313 reports, at a cost of about \$15,900, by combining them with ongoing compliance inspections at various intervals (Appendix E). Further, NREAO personnel believe this cost can easily be offset to reducing the administrative burden the performing inspections consume. By combining these

activities in FY01, NREAO will also be able to maintain an air-station wide inventory of hazardous materials that is more current than is available with the current contract.

Budgeting and Accounting

The Commanding Officer chose the process for developing, executing and accounting for the budget as an area of focus for review because of its cost, appearance of duplication in the process, and criticality to supporting the air station. Through use of the ABM improvement process, financial managers, both within and outside the Comptroller department, have begun to identify significant cost savings opportunities that may be achievable within FY01. Using attributes, \$1.2 million was identified as having been spent to program, execute and account for the air station's budget. This reflected the efforts of 153 people expending over 25 work years of effort. \$962,000 of this amount is spent on accounting and budget activities outside the Comptroller's office.

The development of the budget is requested by the budget office. Departments and sections develop their own budgets based on the previous year's allocation, adjusted for programs, projects, etc. that they plan for the following year. This means that many managers are spending time developing this information, with or without resources to assist. The responsibility of the budget office is to provide the funding guidance (ceiling) and to consolidate and review input. When funding becomes available, the budget officer distributes obligating authority in accordance with the budget, after fully funding civilian pay, utilities, and contracts (Appendix F).

The Comptroller requires organizations to keep desk ledgers because the information in SABRS does not contain the level of detail or currency that managers need to track projects within their departments, nor is the organization of financial data in SABRS the same as the organization on the ground. This requires significant translation effort, both within the department and at the Comptroller's office. There is no standard system to keep this information. However these ledgers allow managers the ability to explain variances in their expenses to the budget office or to identify inaccurate entries made to their programs.

From the beginning of our engagement at MCAS Beaufort, managers at many levels have expressed a lack of confidence in the financial information reported by SABRS. As measured by established performance measures, SABRS seems to suffer a high error rate. For example, the most recent Unmatched/Rejected Disbursement report revealed almost \$2.5 million in approximately 120 erroneous transactions. When examining possible causes of errors, there seems to be a strong correlation between the experience (full time or additional duty, accounting specialty, etc.) of the person inputting the transactions, and the number of errors requiring resolution in the SABRS system.

There are at least two major issues with the current budget and accounting organization.

- First, the Comptroller organization is centrally funding the lion's share of the air station's O&M budget (civilian pay, contracts, utilities); air station managers have little responsibility for the cost management of those resources, and therefore have little information to bring these costs under control.

- Second, budget analysts and fiscal clerks are spread throughout the air station; most execute their fiscal responsibility as an additional duty. Many may lack the time or training to perform effectively, resulting in an increased need for system reconciliation and error correction.

The answer to these issues may be in pooling the "recording and reporting" activities of the process, while improving the timeliness and accuracy of information available to managers to enhance their decision-making capability. This can be achieved by reassigning the responsibility for accounting and analysis to the Comptroller's office. Taking action to consolidate would result in a smaller, but more professional, pool of financial management personnel that are focused on correct, timely data input and analysis. The exact method of implementation (timing, phase in, organization, and rate of improvement) will determine the exact savings that can be achieved, but can be expected to achieve between \$349,000 to \$645,000 savings per year (Appendix G).

Provide Animal Control

MCAS Beaufort's Provost Marshal provides animal control for the air station at a cost of more than \$84,400. This activity largely consists of responding to reports of stray animals in the housing or other areas, retrieving the animal, providing it shelter, and, if not claimed within three days, delivering it to the Beaufort County animal control facility. To eliminate duplicating this service, the Provost Marshal coordinated with Beaufort County to accept animals without waiting for the three-day holding period, thereby eliminating the majority of the supply and facility cost, as well as a significant amount of military labor. Implementing this process modification can be accomplished immediately, at a potential savings to the air station of \$63,487 per year (Appendix H) in military labor and overhead costs. While not applicable directly to the wedge, MPs used for this activity can now be redirected to other, higher priority activities.

S1 Activities

According to the model, the S1 currently supports air station reform initiatives, receives and distributes mail, manages the air station's T/O, and provides other administrative support such as awards review and special projects at a cost of over \$299,000. The Adjutant section also performs many of the administrative support tasks provided by the S1, and we are informed that mail service is normally an Adjutant function; the Adjutant already oversees Guard Mail.

The newly formed BRI Office has responsibility for air station reform initiatives, and currently tasks the S1 Officer with various BRI responsibilities. The only function the S1 performs that does not fall within the purview of either the Adjutant or BRI Office is the management of the air station T/O document. We believe, therefore, that resources within S1 office could be reinvested. Building from an ongoing initiative to revise the Guard Mail process that will save over \$36,000, the Adjutant could assume oversight of the station mailroom, while the amount of administrative review would be reduced.

Consolidation of reform initiatives under the BRI Coordinator could result in better integration of these various initiatives at the air station. Management of the T/O document is a headquarters mandated activity that we believe hampers, rather than enhances the Commander's flexibility to manage his resources. Never the less, given the headquarters requirement, it would seem logical that the T/O, could also be absorbed by the BRI office because process improvement likely results in position changes. Effecting this action would likely require transferring one or two positions currently in the S1 to the BRI office. We believe taking these actions could save the air station up to \$120,533 (Appendix I).

Longer Term Savings Opportunities

Contracts and Contract Administration

Using an attribute report, the core team identified that MCAS Beaufort spent \$2,039,700.99 performing activities related to administering \$25,593,431.17 of contract goods and services used at the air station (Appendix J). The core team's initial inquiries into this cost focused on trying to identify the specific contracts used, as the BRI QMB had taken up an initiative to review contracts' scope of work and cost. Inquiries by the core team reveals that contract administration is highly decentralized. Supply and non-personnel service contracts up to \$100K are administered by Supply. Facilities modifications are administered in Public Works, while MCCA administers NAF. Each of these departments oversees the contracts it issues. There are also a number of off-station contracting agencies that administer contracts for the air station, either because of dollar limitations at the air station, or because the contract is a consolidated one. Among them are Parris Island, ROICC, SOUTHDIR, and MCABE. It does not appear that any of the air station contract administrators have visibility of those contracts; rather, each service recipient is responsible for oversight.

We believe that review of contract administration, with an eye toward consolidation, can generate significant savings. More importantly, there is no regular system of management review of existing contracts for need or scope. The BRI QMB has undertaken efforts to identify all the contracts supporting the air station, and as evidenced by the results of Supply Officer's review of the Food Service KP process, the BRI QMB's review of contract support can reduce contract support cost substantially.

Infinite Demand for Free Goods and Services

The air station has a mission to provide itself, tenant units, and other units with a wide variety of products and services. The perspective of many of the customers is that the air station is funded to provide that support. Therefore, to the customer - a deploying unit, a tenant, another staff element, or the local community - the support should be provided free of charge. What level of demand is or was envisioned for the level of funding provided? Is whatever the customer wants to be provided him or her? Over time, customer demand for these "free" goods becomes what they want, rather than what is needed operationally. Wants become requirements.

The air station is not funded to satisfy the infinite demand of customers for goods and services. The air station must institute a means to control demand, since customers won't do that on their own. There are three alternatives: physically limit quantities of goods and services provided, charge fees, and a combination of both. All three alternatives will reduce funding requirements (generate savings). The latter provides the greatest flexibility to both the customer and the air station.

These alternatives are not appropriate for all of the support provided by the air station to its customers. However, there are numerous areas and types of support where they can be used to control excessive demand. Others need to be investigated. It is not necessary to recover total

costs. The point is not full cost recovery, but demand and cost *control*. Partial cost recovery is simply a means to achieve that control and generate savings.

Regionalization

MCAS Beaufort and MCRD Parris Island are both located in Beaufort County, SC, less than ten miles apart. They share a common housing area at Laurel Bay. The air station and recruit depot have begun to study, organization by organization, improvements and cost reductions can be obtained through regionalizing some or all of their common activities. We believe this initiative has great potential to reduce overhead costs, while maintaining or improving point-of-service contact with customers.

We recommend the following approach be employed to conduct these regionalization studies:

- Make comparisons among "as is" activities contained in the air station and recruit depot ABC models to identify duplicate activities, numbers of people supported, overlapping markets, and other areas of commonality.
- Expand the existing ABC models as needed to support this effort, with particular emphasis on adding products and services to the cost object module, and refining and quantifying appropriate performance measures.
- Using ABM methodologies, perform activity analysis to identify potential areas for regionalization.
- Benchmark to each other, and to others, for best practices.
- Develop alternative courses of action, make recommendations to the command, and develop an implementation plan for those activities regionalized.

We believe that following the ABM roadmap in conducting their regionalization studies, both the air station and recruit depot can share in substantial financial benefit, while greatly improving service to military and civilian Marines.